

**Commission Meeting Minutes  
June 10, 2015  
287 Iyannough Road, Hyannis, MA**

Chairman Brown called the meeting to order at 10:33 AM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, John Langan, James Machado, and Gerald McDonough. He reported that Commissioner Robert McCarthy would be a bit late. Commissioner McCarthy arrived just after 11:15 AM.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, Deputy Director/General Counsel John Parsons, Deputy General Counsel/Managing Attorney Judith Corrigan, Director of Administrative Services Caroline Carcia, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Director of Strategic Planning Mike DeVito, Chief Auditor Harry Chadwick, Director of Information Systems Dan Boyle, Fraud Prevention Manager Sandy King, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Rob Ward and Chet Riley from the Brookline Retirement Board, Debra Cohen, Pat Sprague, and Judy Sprague from the Barnstable County Retirement Board, Mary Sturgeon from the Fairhaven Retirement Board, and Christine Tetreault from the Fall River Retirement Board.

Commissioner Fitzpatrick made a motion to adopt the Commission meeting minutes from May 13, 2015. Commissioner McDonough seconded the motion and the minutes were unanimously adopted by the Commissioners present at this time.

**Capital Budget FY 16 and 17**

Mr. Connarton discussed the proposed Capital Budget for FY 16 and FY 17 for current and future changes and processes in the IT systems which are estimated at \$3.2 Million. He discussed the presentation which took place at the May 2015 Commission meeting. PERAC needs to be more efficient and more interactive in the digital world. In an attempt to streamline our system, Collaborative Consultants have created a road map which will enhance our capability to support the business goals for the future. He further stated that the consultants have met with every unit and individual at PERAC. Mr. Connarton introduced Mr. Dan Boyle, PERAC's Director of Information Systems, if the Commission had any questions regarding this matter.

There were several questions from the Commission such as the accuracy of the estimates presented, grouping the phases or changing the phases around (can group and change around the phases), securing IT Bond money (IT took a 10% hit in their budget, therefore the chances of any bond money is unlikely but we are comfortable with the estimates as presented).

Commissioner McDonough made a motion to approve the request for a Capital Budget of \$3.2 Million for Fiscal Years 2016 and 2017 as proposed by Executive Director Connarton. Commissioner Langan seconded the motion.

Commissioner Fitzpatrick stated that the Commission did fully evaluate this matter at the May Commission meeting and that today's motion was not done in haste.

Commissioner McDonough stated that in reviewing contracts over the past 10 years or so many lessons have been learned and he applauds the IT Director and the State for trying to get this right.

Chairman Brown called the question to approve the Capital budget which was unanimously adopted by the Commissioners present.

Mr. Connarton then reported that according to Policy Number 07-001 a separate vote is required to authorize any expenses over \$100,000. He is requesting a vote for the initial cost outlay in the amount of \$325,600.

Commissioner Fitzpatrick made a motion to approve the request for the initial cost of \$325,600 as proposed by Executive Director Connarton. Commissioner Machado seconded the motion and it was unanimously adopted by the Commissioners present.

#### **Legal Update**

Ms. Corrigan reported to the Commission about *Stoneham Retirement Board v. CRAB, et al.*, Middlesex Superior Court, CA NO 2014-534. She explained that PERAC was not a party but this case is nevertheless very important and pertains to the right to membership. She explained that this case is about when membership ends in a Chapter 32 system. Ms. DeFelice has appealed this decision and CRAB is also expected to appeal. Ms. Corrigan will keep the Commission updated as the case progresses.

#### **Legislative Update**

Mr. DeVito reported that PERAC's bill H. 17 has been assigned to Public Service and no hearing has been scheduled as of this time. He then reported on HD 3852 regarding PERAC's Concurrent Beneficiaries legislation which has been filed by Representative James O'Day who will seek to admit it to the rules committee. Mr. DeVito then explained two outside sections of FY 16 House Budget that PERAC takes issue with - Outside Sections 84 and 96 which may be decided within the next 21 days. PERAC has sent a letter regarding these proposals to key legislative personnel which was distributed.

Chairman Brown then explained why the Commission takes issue with the outside sections as they pertain to the retirement boards and the RFP process.

### **Audit Update**

Mr. Chadwick reported that audits are currently occurring at the Bristol County, Hampshire County, and Malden Retirement Boards. He stated that the auditors will be in Barnstable County next week and will review Powers and Sullivan's audit for the Middlesex Retirement System. Internal reviews are being conducted on the audit reports for the Leominster, New Bedford, Pittsfield, Quincy, State, Teachers', and West Springfield Retirement Boards. He stated that he is waiting for responses from Arlington Retirement Board regarding their audit. Mr. Chadwick stated that the Blue Hills Regional School Retirement System has been posted on the PERAC Web Page since the last Commission meeting then reviewed the findings. Finally, Mr. Chadwick reported that no follow-up audits have been completed within the last month.

### **Compliance Update**

Mr. O'Donnell reported about the education aspect of the unit with a record crowd of more than 450 individuals at the MACRS Conference. He thanked Ken Hill, Derek Moitoso, Patrick Charles, Michael Garrity (SEC), Marcia Wagner (Wagner Law Group) and Chairman Brown for their presentations pertaining to ERISA, Fiduciary Duty, things to review with money managers, and retirement cases of interest. The SEC requested that PERAC be proactive and disseminate their investor alerts or enforcement actions to all retirement boards. He stated that PERAC would put a link to these on its website for convenience.

Mr. O'Donnell stated that currently the unit is collecting, scanning, and reviewing the vendors' annual disclosures which were to be filed by March 1. PERAC has received over 1100 disclosures with approximately 30 still outstanding.

Finally, Mr. O'Donnell stated that the SFI forms were due on May 1, and on May 31 if individuals have to file a 268A form. He further stated how difficult it is explaining to 27 members who are no longer affiliated with a board that they still need to file if any time was served for the calendar year of reporting.

Mr. O'Donnell stated that he receives *John W. Davidson's Economic Comments* on a weekly basis and read his perspective for the week ending June 5<sup>th</sup>, about comparing the economic cycles, recessions, and interest rates from 1978 to the present.

Chairman Brown inquired if any of the guests had any comments or opinions about the educational program presented at the MACRS conference. No one chose to comment.

### **Executive Director's Report**

Mr. Connarton reported on staff activities since the last Commission meeting. He then pointed out that he has heard much positive feedback on PERACs training at the MACRS Conference and he looks forward to continuing to work with MACRS in the future. He said that MACRS and its leadership have to be credited for the efforts that have been made in this partnership and he looks forward to establishing more programs.

Mr. Connarton reported that according to Policy Number 99-001, PERAC has notified the appropriate individuals of the adopted Fiscal Year 2016 budget. He then thanked the Commission for their support in adopting the Fiscal Year budget as well as the Capital Budget.

Mr. Connarton then stated that there is a vacancy issue with Chelsea Retirement Board's Fifth Member appointment which should be resolved shortly.

Commissioner McDonough inquired about the McLaughlin issue and its progress.

Ms. Corrigan stated that the case is still pending at CRAB and there is no word when a hearing will be held.

Mr. Connarton explained about the board member from the Hull Retirement Board who has zero (0) educational credits. The member requested in the past to appear before the Commission on two occasions. We have notified Mr. Lemnios that his failure to complete the minimum credits means that he is unable to serve on any retirement board. We currently await the replacement information. If the gentleman chooses to ignore our notification we would have to refer this issue to the Attorney General.

Mr. Connarton reported about the invalid appointment of Mr. Capobianco at the North Attleboro Retirement Board. He was appointed by the Board of Selectmen as the Board's second member. However, Mr. Capobianco cannot serve on the board as he is employed by a vendor and is therefore prohibited from serving on any retirement board pursuant to Chapter 176 of the Acts of 2011. We have received a letter from the Board's attorney suggesting that legislation be filed and the Board feels that the appointment could stand until the legislation is adopted. PERAC has notified to Attorney General and expects to speak with the attorney of the Board.

Finally, Mr. Connarton discussed the Medical Panel Clarifications issue. There are between 650 and 725 requests per year with a 73% cost increase due to both the influx of requests and the increase in fees. He stated that PERAC worked hard to expand our doctor database and doesn't want to lose any of the physicians that we have worked so hard to get.

The Commission further discussed reaching out to Attorney Sacco to discuss the matter with him and to provide him with the letter from Dr. Chaglassian as a matter of courtesy. By the time a clarification request is placed, the retirement boards have already approved the application for medical review and directed the attorney file the clarification, so the boards also need to be educated about the process.

Mr. Parsons stated that the draft regulations, which the Commission has already adopted to go out for public comment, would require that PERAC review the additional clarifications prior to going to the physician. He also stated that this matter would have the most comments during the public hearings along with the surgical intervention issue. Administration and Finance just approved the guidance for the regulation process and we will meet with them as soon as possible.

Mr. Riley stated that clarifications are needed as a protection for the individual who is making life altering decisions.

In going forward general communication should be provided to the boards and posted on the website about this matter. Clarifications should be used as a tool while not taking advantage of the process.

It was suggested that this topic be discussed at the next MAPPA meeting. Ms. Corrigan stated that the next MAPPA meeting is scheduled for July 10 and she would discuss the possibility of putting the clarification matter on the agenda.

Ms. Tetreault believes that the board should have the right to inquire further about surgical intervention as part of the clarification because that could make a difference on an accidental disability being approved or not. She further stated that this particular physician has not been particularly helpful to her board in the past.

Mr. Connarton then discussed an article which has been distributed stating that CalPERS, the largest pension fund in the country, had no idea what they were paying in private equity fees and this is exactly why the amendments that are in the house conference committee should not be adopted.

Commissioner McDonough believes that there may be an expert company that may be available to help retirement boards find hidden fees and may be a good idea for the Emerging Issues Forum being held in the fall.

### **Other Business**

Mr. Connarton reported that the next Commission meeting would be held on July 8, 2015 at 5 Middlesex Avenue in Somerville.

Chairman Brown stated that PERAC is hosting meetings outside the offices in an attempt to make it easier for some board members and administrators to attend a Commission meeting. He then notified all in attendance that the next Commission meeting to be held outside the Somerville office would be in the western part of the State in the fall. He finally inquired if the guests had any comments or questions for the Commission, and there were none.

The Commissioners thanked the guests for attending the meeting.

Commissioner Machado made a motion to adjourn the meeting. Commissioner McDonough seconded the motion and the motion was unanimously adopted. The Commission meeting adjourned at 11:51 AM.

### **Commission Meeting Documents**

Commission Agenda for the meeting of June 10, 2015

Commission Minutes for May 13, 2015

**Collaborative Consultants**

Proposed FY 16 and 17 Capital Budget and project overview

**Legal Update**

Cover memos and cases for the following:

*Stoneham Retirement Board v. CRAB, et. al.*, Middlesex Superior Court, CA No. 2014-534

**Legislative Update**

Monthly Legislative Agenda and bullet points outlining legislation

**Audit Update**

Recent PERAC audits

**Executive Director's Report**

Updated Staff Activities Memo

Letters from PERAC in accordance with 99-001

Correspondence regarding the Chelsea Retirement Board

Correspondence regarding the Hull Retirement Board

Correspondence regarding the North Attleboro Retirement Board

Correspondence regarding Dr. Chaglassian

**Other Documents Distributed at Meeting**

Correspondence from Attorney James Quirk regarding the North Attleboro Retirement Board

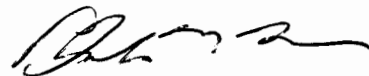
Memo to update the Commission regarding the Disability Files

Article entitled *CalPERS Admits it has No Idea What it is Paying in Private Equity Carry Fees*

PERAC's 2014 Investment Report

Article entitled *Investor Alert: Beware of False or Exaggerated Credentials*, published by the US Securities and Exchange Commission

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission